



OXFORD ANALYTICA

VENEZUELA

MONETARY TRANSPARENCY

Country Report 2005

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VENEZUELA



COMPLIANCE RATINGS

<i>Monetary transparency</i>	2005	2004	2003	2002
Clarity of roles	••	••	••	••
Open decision process	••	••	••	••
Availability of information	•••	•••	•••	•••
Central bank accountability	•••	•••	•••	•••
Score	2.50	2.50	2.50	2.50

OUTLOOK & COMMENTARY

Threats to monetary transparency in Venezuela have increased over the past year. Doubts about the operational autonomy of the Central Bank of Venezuela (BCV) have intensified as President Hugo Chavez has exerted increasing control of the BCV, for example through political appointments to its Board of Directors. Designing and implementing monetary policy is more difficult now than previously, and concerns remain over the ability of the BCV to prioritise its price stability objectives over the government's fiscal policy objectives.

The National Assembly amended the BCV Law (LBCV) on 19 July 2005 to enable the government to make use of BCV international reserves above a certain level to finance public spending. Any excess reserves will be transferred to a new National Development Fund (Fonden). However, there are concerns over the transparency of the use of Fonden funds. The Ministry of Finance stated that the newly-created *Banco del Tesoro* (Treasury Bank), which is not yet fully operation, will manage Fonden funds. All Fonden resources should appear in the Treasury Bank's financial statements -- to be published every month and subject to external audits. There is still uncertainty, however, over the extent to which these resources will be under binding accountability measures in practice.

EXECUTIVE SUMMARY

2.50 Intent declared

In 2005, doubts about the operational autonomy of the Central Bank of Venezuela (BCV) have intensified. President Chavez has increased his control of the BCV through, for example, political appointments to the BCV board. The president of the BCV board and one board member were replaced. Commentators alleged that the new BCV board president, Gastón Parra Luzardo, and indeed much of the BCV board, are under pressure from the executive, and that it is no longer a question of the government merely exerting political influence over the BCV. With the appointment of politically acceptable figures to the BCV board, commentators judged that there has been a corresponding decrease in technical expertise.

The National Assembly amended the BCV Law (LBCV) on 19 July 2005 to enable the government to make use of BCV international reserves above a certain level to finance public spending. The passage of the law is another step in the erosion of the BCV's independence and its control of the money supply. The amendment establishes an 'optimal' level of reserves. The BCV in consultation with the National Assembly decides this optimal level, and it is unclear if the agreed level will involve a degree of political influence on which should be a purely technical decision. Any excess reserves will be transferred to the new National Development Fund (Fonden), which will be merged with the Economic and Social Development Fund (Fondespa) operated by state oil company *Petroleos de Venezuela SA* (PDVSA). The amendment to the LBCV also states that PDVSA is no longer legally required to sell all the dollars it receives from oil exports to the BCV. It now has only to sell those dollars needed to meet the BCV's optimal level of reserves.

Some commentators argued that Fonden is likely to, in effect, end up managing part of the international reserves in a form of 'parallel budget', with a lack of accountability or parliamentary oversight. However, the Ministry of Finance has stated that the newly-created *Banco del Tesoro* (Treasury Bank) will manage the Fonden funds, so that all Fonden resources appear in the Treasury Bank's statements, which it will have to publish every month and which will be audited externally. This is the stated intention, though it remains to be seen what happens in practice. The Treasury Bank has been created but it is not yet operational.

Concerns remain over the ability of the BCV to prioritise its focus on securing price stability over the government's fiscal policy objectives. Commentators asserted that all the BCV can effectively do now is control liquidity with instruments such as repo operations and Certificates of Deposit (CDs), but that there are no long-term monetary policy targets or goals.

While data released by the BCV are still adequate, the quality of content of the *Annual Report* and the Year-end Address of President of the BCV has been reported to have decreased. Other monetary information is still published as before, but with longer delays. Commentators also noted that the BCV is not systematically announcing a clear monetary policy or monetary targets.

Venezuela's overall score is unchanged from last year.

1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES OF CENTRAL BANKS

●● Intent declared

The objectives and institutional framework of monetary policy

In 2005, doubts about the operational autonomy of the Central Bank of Venezuela (BCV) have intensified with the amendment to the BCV Law (LBCV) and President Chavez's increasing control of the BCV through, for example, what is perceived as political appointments to the BCV board. The continuation of controls on foreign exchange operations have undermined the central bank's capacity to implement monetary policy, although these have been relaxed since their imposition in 2003. The monetary liquidity pool created by the exchange controls, which pressures interest rates downwards, has been gradually reduced.

Central bank objectives and responsibilities

The constitution sets out the objectives and responsibilities of the BCV, which are also ratified by the LBCV.¹ The main objectives of the central bank are to achieve price stability and maintain the value of the Venezuelan currency domestically and internationally. The BCV is also responsible for regulating financial markets, implementing monetary policy, administering Venezuela's international reserves, and managing foreign exchange policies.

The BCV shares responsibilities for foreign exchange policy with the executive. This situation has continued to seriously hamper the central bank's ability to attain its objectives, since the government has had strong incentives to implement fiscal policy goals via changes in the foreign exchange framework. Commentators argued that this has been the case since the executive imposed a fixed foreign exchange rate and controls on foreign currency operations in February 2003.²

Operational autonomy

The BCV's formal autonomy is enshrined in Article 318 of the constitution, which states that the BCV is autonomous from other branches of government. Furthermore, Article 320 of the constitution seemingly reinforces this autonomy by stipulating that the BCV should not -- under any circumstance -- be subordinate to the executive. However, the central bank is entitled to 'participate' in the design of foreign exchange policy, and is required to coordinate its monetary policy with the fiscal policy of the Ministry of Finance (MoF) to pursue the agreed macroeconomic objectives. The BCV's formal autonomy therefore becomes ambiguous when considering all these shared responsibilities.³

In addition, the LBCV authorises the National Assembly to resolve differences that emerge between the BCV and the government over the coordination of macroeconomic policies. However, the law does not explain a precise method by which these differences can be resolved.⁴ The BCV's independence is further undermined by the National Assembly's capacity to approve the central bank's operational budget and to remove its board members by a two-thirds majority vote, should the board fail to meet its policy objectives without reasonable justification.⁵ In this context, the government's majority in the National Assembly has continued to exacerbate these concerns.

Commentators stated that government pressure on the BCV is increasing; there are widespread concerns about the degree of government intervention in BCV affairs. For example, there have been changes to the BCV retirement rules, which are said to be an effort by the government to take greater control of the BCV. The government is said to

be placing its choices into the highest positions. In the past year, the president of the BCV board and one board member were replaced. BCV President Diego Luis Castellanos was replaced in January 2005 by Gastón Parra Luzardo; allegedly a more ‘radical’, controversial figure. Commentators have suggested that Gastón Parra, and indeed the BCV board, are ‘under President Chavez’s thumb’, and that it is no longer a question of the government merely exerting political influence over the BCV.⁶ Commentators further alleged that the board executes government policies, rather than its own monetary policy.⁷

Between August 2004 and January 2005, about 200 people left the BCV, some voluntarily, although most not. With the appointment of politically acceptable figures to the BCV board, there has been a corresponding substantial decrease in technical expertise.⁸

Institutional relationship between monetary and fiscal operations

The constitution and Articles 44-47 of the LBCV define the relationship between the central bank and the government. The BCV may not lend to the central government or issue any guarantees. Although the BCV may not finance fiscal deficits, commentators argued that this has been indirectly done by recording profits from foreign exchange operations (*utilidades cambiarias*) as budget revenues.⁹ In 2004, the government also asked the BCV to channel the exchange profits generated by its gold reserves to the government. The exchange profits are reported as ordinary -- rather than extraordinary -- income for the government. Commentators argue that these are accounting profits only and should not be used in this way.¹⁰

Lending to government

Article 36 of the LBCV prevents the central bank from financing the government and from guaranteeing government and sub-national government obligations. However, there are no specific provisions about lending to state-owned financial institutions, although long-term lending is prohibited. This became a controversial issue a couple of years ago when the head of the Superintendence of Banks and Financial Institutions (SUDEBAN) resigned after protesting against the lack of any independent oversight over several public financial institutions.¹¹

Central bank involvement in the rest of the economy

The BCV is responsible for regulating financial markets. As mentioned above, the central bank cannot provide any long-term lending or lending without any type of financial guarantee to institutions other than to multilateral organisations and other foreign central banks. The BCV is also responsible for managing the government’s Macroeconomic Stabilisation Fund (FEM), previously the Investment Fund for Macroeconomic Stabilisation (FIEM).

Commentators continue to stress that the monetary framework introduced in February 2003 -- a fixed exchange rate alongside foreign currency controls -- has been implemented with numerous ad hoc amendments that are more in line with the government’s political agenda than economic rationale.¹² Particular concern continues to be raised by the use of monetary policy instruments (foreign currency controls) to implement fiscal policy: the controls have boosted the country’s domestic monetary liquidity, which has left private banks with a large stock of government debt. The government has used these resources to finance current public spending.¹³

As had been expected following intense pressure from the highest levels of government over preceding months, the National Assembly amended the LBCV on 19 July 2005 to enable the government to make use of BCV international reserves above a certain level to finance public spending. The amendment talks of establishing the ‘optimal’ level of reserves. The BCV will present a model calculating the optimal level to the National Assembly and in effect the National Assembly then decides the optimal level on the basis of the analysis, so it could be not merely a technical

decision, but a political decision also. Reserves currently stand at 28.9 billion US dollars.¹⁴ It has been determined that there are at present six billion US dollars in excess reserves. These will be transferred to the new National Development Fund (Fonden) by the end of the year, which will be merged with the Economic and Social Development Fund (Fondespa) -- operated by state oil company *Petroleos de Venezuela SA* (PDVSA) -- believed to contain about 3 billion US dollars.¹⁵ This is in addition to, from 2006 onwards, an additional proportion of foreign currency earnings from oil exports.

At the time of writing, Fonden had not yet merged with Fondespa. It is unclear how the government will transfer the BCV reserves into Fonden in an orderly and transparent way (this has not hitherto been the case with other funds such as Fondespa, whose accounts are not open to regular scrutiny), and how long-term sustainability of economic and financial markets is taken into consideration. Some commentators argued that Fonden is in effect going to end up managing part of the international reserves, but with a lack of accountability and parliamentary oversight of the funds. They alleged that Fonden will effectively be like a 'parallel budget' managed directly by the President and that, as yet, there is no control over this.¹⁶

In response to these concerns, the Ministry of Finance stated that the newly-created *Banco del Tesoro* (Treasury Bank -- a kind of government investment trust) will manage the Fonden funds, so that all the money from Fonden will appear in the assets and balance sheets of the Treasury Bank. The Treasury Bank will have to publish statements every month and these will be audited externally, so it was argued that, in this respect, it is actually better than having the money go to the BCV. This is the intention, though it remains to be seen what happens in practice. The Treasury Bank has been created but it is not yet operational and it will take time to develop.¹⁷

Fonden funds will be used mainly for infrastructure. It is not clear whether parts of the funds will be used to pay off or restructure a proportion of public debt as originally expected by financial markets. There is a list of projects to be managed by Fonden, and the fund intends to publish the results of all its projects.¹⁸

The amendment to the LBCV does have several negative ramifications. International doubts over the policy of allowing the government to spend and invest central bank reserves could affect the perceived credibility of overall economic policy, despite the fact that fiscal risks will remain low as long as the international price of oil remains high.¹⁹ More importantly, the amendments represent another step in the erosion of the BCV's independence and its control of the money supply, and more generally solidifies further the executive's control over many of the country's key institutions.²⁰

The amendment to the LBCV also states that PDVSA is no longer legally required to sell all the dollars it receives from oil exports to the BCV. PDVSA has only to sell those dollars needed to meet the BCV's optimal level of reserves.²¹

Central bank profit allocation

The reform to Article 65 of the LBCV -- which permits BCV profit allocation every six months instead of at the end of the fiscal year -- has enhanced the government's ability to indirectly finance fiscal deficits. Article 71 of the LBCV establishes that at least 10% of any profits are allocated to the General Reserve Fund. The law also limits the amount allocated to the Reserve Fund to 15% of all the profits. The remaining resources are allocated to the National Treasury within a six-month period.

Any losses accrued by the BCV are covered with resources from the Reserve Fund. However, if these were to result in insufficient reserves, the Treasury must cover the losses. If the Treasury does not have sufficient funds, the government should issue debt.

Agency roles performed by the central bank on behalf of the government

The constitution and the LBCV define the central bank's agency roles.²² These include acting as financial agent to the executive in its internal and external debt operations, the administration of international monetary reserves, and acting as a depository for National Treasury funds. The BCV also advises the government on public credit operations, and comments on the effects of the budget. These services are provided without obligation to the executive, which must reimburse the central bank for any expenses incurred.

2. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS

●● Intent declared

The framework, instruments, and targets of monetary policy

The constitution, together with the LBCV and the Organic Law on the Financial Administration of the Public Sector (LOAF), establish the institutional framework for macroeconomic coordination. The BCV sets monetary policy but its targets and instruments must be consistent with the overall macroeconomic plan. Concerns remain in 2005 over the ability of the BCV to prioritise its price stability objectives over the government's fiscal policy objectives. The dominance of fiscal policy and exchange controls constrain the effectiveness of monetary policy. In the past, the central bank has announced that its interventions in the foreign exchange market were done in order to attain external balance, while there is uncertainty about the central bank's freedom to raise interest rates so as to damp down inflationary pressures.²³ Commentators stated that all the BCV can effectively do now is control liquidity with repos and CDs, their remaining instruments. But these affect intermediate targets -- commentators asserted that there are now no published long-term monetary policy targets or goals.²⁴ The BCV has been making a concerted effort to sterilise recent episode of excess liquidity.

Framework and monetary targets

The BCV's webpage does not make available a concise document that explains its monetary policy framework and the instruments used to attain its objectives. The LBCV requires the central bank to use a medium-term framework and publish its monetary targets and the instruments used, as agreed in the annual policy discussions with the government. However, commentators noted that the BCV is not announcing a clear monetary policy or monetary targets; at least not systematically. The *Macroeconomic Coordination Agreement* for each fiscal year has to be published by the time the National Assembly approves the annual budget bill, but this document has hitherto not been made publicly available. The *2003 Macroeconomic Coordination Agreement*, which was approved in December 2002, was subsequently revoked the following March.²⁵ It remains suspended.

Overall, the monetary policy framework has been shaped by the decision of the government and the BCV to set exchange controls. Monetary policy is set to achieve an implicit inflation target, which traditionally has been measured by changes in the consumer price index (CPI). The CPI is produced through a limited survey that only covers Caracas, and it is highly distorted owing to the government's introduction of price controls.²⁶ Nevertheless, the BCV sets a series of intermediate targets for the monetary base growth rate and the overnight reference interest rate that are consistent with the implicit inflation target.

Monetary instruments

The BCV intervenes in monetary markets through two types of operations: repurchase operations to manage liquidity in the financial system, and interventions in secondary bond markets. The latter follow clear rules and are made electronically through an auction system, with details of the central bank's activities published on the same day. Any changes to the liquidity target are published in the BCV's *Monthly Report* and *Weekly Brief*.²⁷

The monetary policy-making body

Monetary board

As set out in Article 15 of the LBCV, the principal monetary policy-making body within the central bank is the Board of Directors. The executive appoints five of the seven-member board, with the other two appointed by the National Assembly. One member (from the president's appointees) must be a minister from the economic cabinet, but not the finance minister. The president also appoints the BCV president, who also presides over the Board of Directors. The appointment of the BCV president is subject to legislative ratification, and the LBCV contains procedures for replacing the current BCV board members on completion of their tenures.

The LBCV clearly makes the Board of Directors responsible for the management of monetary policy and the central bank's administrative decision-making. The terms of office for the board are also set out in the LBCV, but they do not ensure the independence of the directors. Non-compliance with the price stability objective as agreed in the annual plan can result in members' removal from the board.²⁸

Commentators alleged that the government is placing its choices into the highest positions in the BCV, with the government now having 'control' of the BCV board. In the past year, the president of the board and one board member were replaced. BCV President Diego Luis Castellanos was replaced in January 2005 by Gastón Parra Luzardo; allegedly a more 'radical', controversial figure.²⁹ Commentators alleged that Gastón Parra is heavily influenced by President Chavez.³⁰

Advance meeting schedule

Advance schedules for board meetings are unavailable, since ordinary board meetings take place every Tuesday and Thursday. Tuesday meetings review previous events and set out an agenda for decisions to be adopted at the subsequent Thursday session.

Public statements on monetary policy

The constitution mandates the publication of BCV board minutes. Decisions are published on the BCV website, although this typically happens with a lag of three months.³¹ Details of board decisions and BCV operations are also disclosed through press releases available on the website. Other monetary policy statements are published in the *Annual Report* and the Year-end Address of President of the BCV.³² The latter did not take place in 2003, though it was published in 2004. However, commentators noted that the quality of the *Annual Report* and the Year-end Address of President of the BCV has decreased substantially. For example, some commentators asserted that they now lack economic reasoning, good statistics and so on. They now contain more political reasoning explaining key decisions. Commentators noted that the Presidential Address has lost importance to analysts and the markets as a result. Other monetary information is still published as before, but there are more delays in the publication of the information.³³

Commentators noted that the BCV is not systematically announcing a clear monetary policy or monetary targets; at least not systematically.³⁴ There are intermediate monetary policy targets but they are not made available to the public in the BCV minutes. As regards the operation of monetary policy, the BCV controls the repo rate, but there is no procedure for explaining the operation of monetary policy. The BCV has studies and models, but does not make them public. Neither does the BCV divulge the 'corridor' for its target money supply.³⁵

Periodic publications

The BCV publishes a number of periodic reports. In addition to the *Annual Report*, the central bank publishes the *Monthly Report*, which includes a short description of monetary policy decisions and the financial operations undertaken, and information on financial markets, monetary aggregates, central government public finances and economic legislation adopted during the month. The *Monthly Report* also discloses all adopted and issued regulations. The BCV also releases weekly and daily statements containing financial and foreign exchange market data.

Public hearings

The BCV does not hold public hearings or provide commentary on regulations and decisions adopted by the BCV. A framework for incorporating broad public consultation over technical changes in the operation of monetary policy does not exist.

Regulations on data reporting by financial institutions to the central bank

Articles 48-55 of the LBCV establish rules governing the relationship between the central bank and other banks. It contains provisions on the requirement for private sector financial intermediaries to provide the information that the BCV may request on their operations, the data necessary to evaluate their financial situation, and all information required by the central bank to adequately perform its functions.

3. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY



Enacted

Release of central bank data

Venezuela does not subscribe to the IMF Special Data Dissemination Standard (SDDS), but meets the requirements of the General Data Dissemination System (GDDS). The coverage of analytical accounts and time series has been improved; most of these data are available through the *Statistics Information* hyperlink.³⁶ Although the BCV authorities had previously mentioned their intent to publish an advance release calendar, it is still not available.³⁷ In 2003, some commentators stated that the BCV's reputation for providing high quality data and technical assistance was now under threat from government interference, although in 2005 commentators judged that the BCV data are, in general, still of good quality.³⁸

The BCV's *Weekly Brief* provides detailed information on the central bank's financial and foreign exchange operations, monetary policy aggregates, and foreign reserves. The *Monthly Report* provides a detailed analysis of the economy, focusing on changes in domestic price indices, monetary aggregates, interest rates, and foreign reserves. The report also contains a summary of the monetary and foreign exchange operations of the BCV for the past month and provides a summary of decisions taken by the Board of Directors.

The central bank balance sheet

Articles 66-67 of the LBCV require the periodic disclosure of the central bank's balance sheet. Monthly statements have continued to be released within 15 days of the reference period. The six-month balance statement is also released within 15 days of the end of the reference period, while the annual statement is published with a lag of 30 days after the end of the fiscal year.

Lender of last resort

Article 48 of the LBCV authorises the central bank to carry out lender of last resort operations. The BCV may only perform these operations after reviewing the financial statements and the balance sheets of the beneficiary institutions. Previously, loans had a 30-day duration and could be extended only once up to a 90-day period. However with the amendment to the LBCV, the BCV can now provide loans for up to two years, which has caused some concern.³⁹ All loans must be guaranteed with credit instruments or securities. The BCV does not publicly disclose the methodology followed to account and report on emergency lending operations to distressed institutions.

Public information services

The BCV produces a variety of regular and *ad hoc* reports, and data can be accessed through the *Statistics Information* hyperlink. It maintains a comprehensive website (though up-to-date information in English is limited) that sets out details of its operations. BCV officials are available to address any specific query raised by interested parties.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY BY THE CENTRAL BANK



Enacted

Accountability before a designated public authority

As set out in the constitution and Article 77 of the LBCV, the central bank is accountable to the National Assembly in terms of compliance with policy objectives. To this end, the BCV must submit a report every year to the National Assembly explaining its monetary policy and performance. In addition, the constitution and the LBCV (Articles 81-86) give the General Comptroller and SUDEBAN the authority to monitor all central bank operations.

Financial statement

Audited financial statement

The BCV is required to produce a financial statement that must be audited externally.⁴⁰ The statement must be published within three months of the end of the financial exercise. The monthly and quarterly BCV balance sheet, and the annual financial statements are available in the *Statistics Information* section.⁴¹ An annual financial statement is also published as part of the *Annual Report*. However, the audited statements are not readily available to the public.

External and internal audit

The central bank's *Internal Regulations* (Title IV, Articles 88-89) provide the framework for internal auditing.⁴² The constitution and the LBCV both contain provisions for an independently audited financial statement. The statement is produced by the BCV and audited externally by a private firm, which may be national or foreign. The same firm may not be hired more than three consecutive times, and is selected by the executive after consultations with the BCV.

Conduct of officials

Articles 28-30 of the LBCV contain general directives on rights and responsibilities for all BCV employees. Article 18 sets out standards of conduct for board members, while Article 19 details those for the BCV president. In addition, as established by Article 28, the Board of Directors is in charge of issuing complementary statutes that set out standards of conduct for employees. Details of these statutes are not publicly available.

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Venezuela between 25 and 28 October 2005:

Central Bank of Venezuela (BCV)

Despite considerable effort to meet with someone from the Central Bank of Venezuela, *Oxford Analytica* was not granted an interview.

Ministry of Finance

28 October 2005

Guillermo Ortega	General Coordinator	Public Policy Evaluation Unit
Luis Davila	Adviser to the Ministry of Finance	

ADDITIONAL INTERVIEWS

26 October 2005

Robert Bottome	Director	Veneconomia
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27 October 2005

Leonardo Vera Azaf	Economist	Banco Mercantil
Pedro Ravelo	Economist	World Bank

28 October 2005

José Guerra Brito	Former Board Director of the Central Bank of Venezuela	
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NOTES

¹ Constitution of the Bolivarian Republic of Venezuela, 1999 *Constitución de la Republica Bolivariana de Venezuela* (as amended, in Spanish only): www.bcv.org.ve/c3/constitucion.asp

LBCV, *Ley del Banco Central de Venezuela* (as amended in 2002, in Spanish only):

www.bcv.org.ve/c3/refleybcv.asp

² BCV: *Normativa del Regimen de Administracion de Divisas; Convenio Cambiario No. 1-2* (in Spanish only):

www.bcv.org.ve/c5/admonddivisas.asp

³ Interviews in Venezuela, 27-30 October 2003.

⁴ Article 91, LBCV.

⁵ Article 319 of the constitution.

⁶ Interviews in Venezuela, 25-28 October 2005.

⁷ Without having been able to meet with the BCV in 2005, we were unable to gain their perspective on these issues.

⁸ Interviews in Venezuela, 25-28 October 2005.

⁹ Interviews in Venezuela, 27-30 October 2003.

¹⁰ Interviews in Venezuela, 8-12 November 2004.

¹¹ Interviews in Venezuela, 18-20 November 2002.

¹² Interviews in Venezuela, 25-28 October 2005.

¹³ Interviews in Venezuela, 8-12 November 2004.

¹⁴ In a study early last year, the BCV estimated that an adequate level of foreign reserves, in the light of the Venezuelan economy's particular characteristics, would be 14-24 billion US dollars. Given that the current level of reserves is now above this range, the BCV's ability to resist government proposals to access its foreign reserves was limited. Oxford Analytica Daily Brief, Venezuela: 'Foreign Reserves Limits Raise Risks', 7 June 2005.

¹⁵ Oxford Analytica Daily Brief, Venezuela: 'Foreign Reserves Limits Raise Risks', 7 June 2005. In 2004, the BCV agreed to permit PDVSA to pay 3.7 billion US dollars directly into a fund for government expenditure on social projects (Fondespa). Interviews in Venezuela, 25-28 October 2005.

¹⁶ Interviews in Venezuela, 25-28 October 2005. It was also noted that the President of Fonden is a former military career friend of Chavez.

¹⁷ Interviews in Venezuela, 25-28 October 2005.

¹⁸ Interviews in Venezuela, 25-28 October 2005.

¹⁹ The over-dependence of the economy on oil, and the rising tensions between the government and foreign investors, would still make the economy vulnerable to a balance of payments shock. Arguably, this would warrant a higher level of foreign reserves than in 'normal' conditions. Oxford Analytica Daily Brief, Venezuela: 'Foreign Reserves Limits Raise Risks', 7 June 2005.

²⁰ Oxford Analytica Daily Brief, Venezuela: 'Foreign Reserves Limits Raise Risks', 7 June 2005.

²¹ Interviews in Venezuela, 25-28 October 2005.

²² Chapter III, Articles 44-47, LBCV.

²³ Interviews in Venezuela, 27-30 October 2003.

²⁴ Interviews in Venezuela, 25-28 October 2005.

²⁵ *Acuerdo Anual de Politicas 2003* and *Acto de Anulacion del Acuerdo Anual de Politicas 2003* (in Spanish only):

www.bcv.org.ve/c6/acuerdo.asp

²⁶ Interviews in Venezuela, 27-30 October 2003.

²⁷ *Boletin Mensual* (in Spanish only): www.bcv.org.ve/c1/Publicaciones.asp?Codigo=98&Operacion=2&Sec=True

Sintesis Semanal (in Spanish only): www.bcv.org.ve/c1/Publicaciones.asp?Codigo=1671&Operacion=2&Sec=True

²⁸ Article 27, LBCV.

²⁹ Commentators stated that President Chavez originally wanted to appoint Gastón Parra Luzardo as president of PDVSA, allegedly to make it easier for Chavez to gain control of PDVSA, something he has found very difficult to do, but this was rejected. Interviews in Venezuela, 25-28 October 2005.

³⁰ Interviews in Venezuela, 25-28 October 2005.

³¹ *Decisiones del Directorio en Materia de Politica Monetaria* (in Spanish only):

www.bcv.org.ve/actpm/sintesisapm.asp

³² These documents are available at: www.bcv.org.ve/c1/Publicaciones.asp?Codigo=91&Operacion=2&Sec=True

³³ Interviews in Venezuela, 25-28 October 2005.

³⁴ Interviews in Venezuela, 25-28 October 2005.

³⁵ Interviews in Venezuela, 8-12 November 2004.

³⁶ *Informacion Estadistica* (in Spanish only): www.bcv.org.ve/c2/indicadores.asp

³⁷ Interviews in Venezuela, 25-28 October 2005.

³⁸ Interviews in Venezuela, 27-30 October 2003 and 25-28 October 2005.

³⁹ Interviews in Venezuela, 25-28 October 2005.

⁴⁰ Articles 87-88, LBCV.

⁴¹ *Estados Financieros del BCV* (in Spanish only): www.bcv.org.ve/c2/indicadores.asp

⁴² *Reglamento Interno del Banco Central de Venezuela* (in Spanish only): www.bcv.org.ve/c3/reglabcv.asp

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